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FOURACE INDUSTRIES GROUP HOLDINGS LIMITED

科利實業控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1455)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2022 (“**FY2022**” or the “**Reporting Period**”) increased by 8.2% to approximately HK\$473.4 million, when compared with approximately HK\$437.4 million for the year ended 31 March 2021 (“**FY2021**”).
- Gross profit for FY2022 decreased by 6.1% to approximately HK\$120.2 million (FY2021: approximately HK\$128.0 million). The gross profit margin decreased by 3.9 percentage points to 25.4% for FY2022 (FY2021: 29.3%) which was mainly attributable to rise in raw material costs and the appreciation in RMB against USD.
- Profit attributable to equity holders of the Company for FY2022 increased by 2.8% to approximately HK\$59.7 million (FY2021: HK\$58.1 million) but the profit margin decreased by 0.7 percentage point to 12.6 % (FY2021: 13.3%). The decrease was mainly due to the drop of the gross profit margin as mentioned in above.
- Earnings per share for profit attributable to equity holders of the Company for FY2022 was HK 4.7 cents (FY2021: HK5.3 cents).
- The Board proposed to declare a final dividend of HK 1.5 cents per share for FY2022.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fourace Industries Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the Reporting Period, together with comparative figures for FY2021 as set forth below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

		Year ended 31 March	
	Note	2022	2021
		HK\$'000	HK\$'000
Revenue	3	473,390	437,446
Cost of sales	5	(353,210)	(309,418)
Gross profit		120,180	128,028
Other income		3,542	2,614
Other losses, net	4	(180)	(4,909)
Selling and distribution expenses	5	(5,310)	(4,474)
Research and development expenses	5	(8,771)	(7,846)
Administrative expenses	5	(37,397)	(41,614)
Operating profit		72,064	71,799
Finance income		251	188
Finance costs		(24)	(74)
Profit before taxation		72,291	71,913
Income tax expenses	6	(12,570)	(13,774)
Profit for the year		59,721	58,139
Other comprehensive income for the year			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		3,260	4,579
Other comprehensive income for the year, net of tax		3,260	4,579
Total comprehensive income for the year		62,981	62,718
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share (HK cents per share)	7	4.7	5.3

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022

		As at 31 March	
	<i>Note</i>	2022	2021
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Right-of-use assets		2,137	2,632
Property, plant and equipment		116,169	113,617
Investment property		655	690
Deposit and prepayments	11	2,062	740
Deferred income tax assets		2,064	1,149
		<u>123,087</u>	<u>118,828</u>
		-----	-----
Current assets			
Inventories	9	59,638	37,332
Trade receivables	10	89,210	87,133
Contract assets		4,652	2,464
Other receivables, deposits and prepayments	11	10,598	9,025
Income tax recoverable		3,174	1,370
Pledged bank deposits	12	7,446	4,974
Cash and cash equivalents	12	172,229	166,008
		<u>346,947</u>	<u>308,306</u>
		-----	-----
Total assets		<u><u>470,034</u></u>	<u><u>427,134</u></u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	13	12,786	12,500
Reserves		351,997	334,958
		<u>364,783</u>	<u>347,458</u>
		-----	-----
Total equity		<u><u>364,783</u></u>	<u><u>347,458</u></u>

		As at 31 March	
	<i>Note</i>	2022	2021
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		–	401
Deferred income tax liabilities		<u>5,648</u>	<u>4,032</u>
		<u>5,648</u>	<u>4,433</u>
Current liabilities			
Trade payables	14	68,519	44,910
Accruals and other payables	15	30,377	19,670
Borrowing		306	2,139
Lease liabilities		401	420
Income tax payable		–	8,104
		<u>99,603</u>	<u>75,243</u>
Total liabilities		<u>105,251</u>	<u>79,676</u>
Total equity and liabilities		<u>470,034</u>	<u>427,134</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

General information

Fourace Industries Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 March 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(i) New standards, amendments to standards and new interpretation adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions beyond 30 June 2021

The adoption of these amendments to standards and interpretation of HKFRS did not have any significant impact on the current period or any prior period.

(ii) *New and amended standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for these reporting periods and have not been early adopted by the Group.

		Effective for accounting year beginning on or after
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group is in the process of making an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, management does not anticipate any significant impact on the Group's financial positions and results of operations.

3 SEGMENT INFORMATION AND REVENUE

The executive directors of the Company have been identified as the chief operating decision-maker of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group principally engages in the design, development and manufacturing of personal care and lifestyle electrical appliances. The chief operating decision-maker assesses the performance of the company business based on a measure of operating results and considers the company business in a single operating segment. Information reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — manufacturing and trading of home electrical appliances.

During the year ended 31 March 2022, all of the Group's revenues are from contracts with customers and are recognised at a point in time (2021: same).

The Group's revenue by geographical locations, which is determined by the location where the goods were delivered and utilised, is as follows:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Japan	184,383	169,992
United States	233,670	205,662
Europe	31,798	42,178
Others (<i>Note</i>)	23,539	19,614
	<u>473,390</u>	<u>437,446</u>

Note: Others mainly include the PRC and other countries within the Asia Pacific region (2021: same).

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Customer A	255,588	214,106
Customer B	98,705	87,084
Customer C	72,622	67,109
	<u>426,915</u>	<u>368,299</u>

The five largest customers accounted for approximately 99.8% of the revenue of the Group for the year (2021: 99.0%).

The Group's revenue by product categories, is as follows:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Personal care electrical appliances		
— Hair styling series	416,192	346,114
— Grooming series	30,450	44,316
— Beauty care series	3,326	23,326
	<u>449,968</u>	<u>413,756</u>
Sub-total		
Lifestyle electrical appliances	366	4,330
Others (<i>Note</i>)	23,056	19,360
	<u>473,390</u>	<u>437,446</u>

Note: Others mainly represented moulds and tools and spare parts.

4 OTHER LOSSES, NET

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Exchange losses, net	(345)	(4,905)
Net gains/(losses) on disposal of property, plant and equipment	165	(4)
	<u>(180)</u>	<u>(4,909)</u>

5 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Auditors' remuneration		
— Audit services	1,350	1,250
— Non-audit services	105	87
Land and building management fee	1,521	1,444
Direct material costs	236,863	197,348
Changes in inventories of finished goods and work in progress	(12,587)	(568)
Cost of moulds and tools	7,061	8,000
Custom and declaration handling expenses	1,411	1,529
Depreciation of property, plant and equipment, investment property and right-of-use assets	13,493	13,232
Repair and maintenance expenses	2,814	2,841
Staff costs, including directors' remuneration	96,380	81,472
Legal and professional fee	2,986	3,044
Logistics expenses	852	789
Utilities	8,867	7,686
Subcontracting costs	29,243	24,340
Materials and consumables	3,778	3,482
Listing expenses	—	6,988
Cleaning and sewage fee	1,641	1,879
Other taxes and stamp duty	2,470	3,451
Other expenses	6,440	5,058
	<u>404,688</u>	<u>363,352</u>

6 INCOME TAX EXPENSES

Income tax on profits

Income tax on profits arising from Hong Kong has been calculated on the estimated assessable profits at the rate of approximately 16.5% for the year ended 31 March 2022 (2021: 16.5%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entity in Hong Kong will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The Group’s subsidiary in the PRC are subject to the PRC enterprise income tax at a rate of 25% on estimated assessable profits.

	Year ended 31 March	
	2022	2021
	HK\$’000	HK\$’000
Hong Kong profits tax	10,652	13,956
PRC corporate income tax	1,343	192
Deferred taxation	575	(374)
	<u>12,570</u>	<u>13,774</u>
Income tax expense	<u>12,570</u>	<u>13,774</u>

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2022.

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 March	
	2022	2021
Profit attributable to equity holders of the Company (HK\$’000)	59,721	58,139
Weighted average number of shares in issue (in thousands)	<u>1,260,609</u>	<u>1,107,021</u>
Basic earnings per share (HK cents per share) (Note)	<u>4.7</u>	<u>5.3</u>

Note: Diluted earnings per share for the year ended 31 March 2022 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2021: same).

8 DIVIDENDS

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Proposed final dividend of HK1.5 cents (2021: HK3.8 cents) per ordinary share (<i>Note (i)</i>)	<u>19,178</u>	<u>47,500</u>

Note:

- (i) The final dividend is not accounted for as a dividend payable in these financial statements until it has been approved at the forthcoming annual general meeting of the Company.

9 INVENTORIES

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Raw materials	30,263	21,359
Work-in-progress	10,334	9,842
Finished goods	<u>19,041</u>	<u>6,131</u>
	<u>59,638</u>	<u>37,332</u>

The direct material costs recognised as expense and included in cost of sales amounted to HK\$236,863,000 for the year ended 31 March 2022 (2021: HK\$197,348,000).

The changes in inventories of finished goods and work in progress recognised and credited in cost of sales amounted to HK\$12,587,000 for the year ended 31 March 2022 (2021: HK\$568,000).

10 TRADE RECEIVABLES

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Trade receivables	<u>89,210</u>	<u>87,133</u>

The Group's sales are on credit terms primarily ranging from 30 to 120 days. At 31 March 2021 and 2022, the ageing analysis of the trade receivables, based on invoice date, was as follows:

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Up to 3 months	60,649	68,590
3 to 6 months	<u>28,561</u>	<u>18,543</u>
	<u>89,210</u>	<u>87,133</u>

The Group applies the simplified approach to provide credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics to measure the expected credit losses. Based on the assessment, provision for expected credit loss of trade receivables amounted to HK\$13,000 was provided.

The maximum exposure to credit risk as at 31 March 2022 was the carrying amounts of the trade receivables (2021: same). The Group did not hold any collateral as security. The carrying amounts of trade receivables approximate their fair values.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	89,210	87,133

11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Prepayments for purchase of property, plant and equipment	2,062	616
Deposits	–	124
	2,062	740
Current		
Deposits	192	68
Prepayments	5,725	5,339
Interest receivables	92	26
Other receivables	1,019	952
Value-added tax recoverable	3,570	2,640
	10,598	9,025
	12,660	9,765

The carrying amounts of other receivables, deposits and prepayments are denominated in the following currencies:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	11,496	7,747
HK\$	722	978
US\$	442	1,040
	12,660	9,765

12 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pledged bank deposits	<u>7,446</u>	<u>4,974</u>
Cash at banks	172,182	165,972
Cash on hand	<u>47</u>	<u>36</u>
	<u>172,229</u>	<u>166,008</u>
Maximum exposure to credit risk	<u>179,628</u>	<u>170,946</u>

Pledged bank deposits of the Group are pledged to secure banking facilities granted to the Group. The effective interest rate of pledged bank deposits was 0.01% per annum (2021: 0.01% per annum) and had a renewal period of 31 days. The carrying amount of the Group's pledged bank deposits was denominated in US\$.

As at 31 March 2022, pledged bank deposit of HK\$2,472,000 (2021: nil) was held in designated bank account as collateral for a bank guarantee of the Group as requested by Shenzhen Electric Power Supply Bureau for stabilising electricity supply. The pledged bank deposit earned interests at fixed rate of 0.3% (2021: nil). The carrying amount of pledged bank deposit as at 31 March 2022 approximates its fair value and is denominated in RMB.

Cash and cash equivalents are denominated in the following currencies.

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	158,874	100,257
HK\$	7,913	64,467
RMB	5,420	1,244
EUR	12	29
Japanese Yen	<u>10</u>	<u>11</u>
	<u>172,229</u>	<u>166,008</u>

As at 31 March 2022, cash and cash equivalents of approximately HK\$5,601,000 (2021: HK\$1,425,000) were held in the PRC banks and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

13 SHARE CAPITAL

	As at 31 March 2022		As at 31 March 2021	
	Number of ordinary shares	Nominal value of ordinary shares HK\$	Number of ordinary Shares	Nominal value of ordinary shares HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each as at the end of the year	10,000,000,000	100,000,000	10,000,000,000	100,000,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each as at the beginning of the year	1,250,000,000	12,500,000	2	–
Issuance of ordinary shares upon capitalisation issue (<i>Note (i)</i>)	–	–	937,499,998	9,375,000
Issuance of ordinary shares upon initial public offering (<i>Note (ii)</i>)	–	–	312,500,000	3,125,000
Issuance of new award shares (<i>Note (iii)</i>)	28,562,500	285,625	–	–
	1,278,562,500	12,785,625	1,250,000,000	12,500,000

Notes:

- (i) On 15 September 2020, an amount of HK\$9,375,000 was capitalized from share premium to share capital of the Company.
- (ii) On 15 September 2020, 312,500,000 ordinary shares of HK\$0.01 each were issued at an offer price of HK\$0.40 per share for a total consideration of HK\$125,000,000 with HK\$89,131,000 credited to the share premium account of the Company, after taking into account of the issuance costs.
- (iii) 20,937,500 award shares and 7,625,000 award shares (“**Award Shares**”) were granted to certain employees and directors on 28 June 2021 and 9 August 2021, respectively.

14 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 March	
	2022 HK\$'000	2021 HK\$'000
Within 1 month	23,253	12,467
1–2 months	10,935	11,980
2–3 months	21,534	14,488
Over 3 months	12,797	5,975
	68,519	44,910

The credit terms of trade payables granted to the Group are usually cash on delivery and from 30 to 90 days.

Trade payables are denominated in the following currencies:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	1,405	577
HK\$	1,688	3,316
RMB	65,426	41,017
	<u>68,519</u>	<u>44,910</u>

The carrying amounts of the trade payables approximate their fair values.

15 ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued expenses		
— Staff costs	7,318	7,991
— Others	2,445	2,267
Contract liabilities	15,931	4,195
Provision for employees' benefit	1,203	1,300
Other payables	3,480	3,917
	<u>30,377</u>	<u>19,670</u>

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	15,462	4,140
RMB	11,979	10,204
HK\$	2,936	5,326
	<u>30,377</u>	<u>19,670</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis. Our customers are mainly international brand owners with products marketed mainly in the United States, Japan and Europe. Personal care electrical appliances that the Group provides can be broadly classified into three major categories, including the hair styling series, the grooming series and the beauty care series. In particular, the Group is specialised in hair dryers within its hair styling series which primarily target for the high-end market. We also co-designs and develops with our customers and sells various kinds of lifestyle electrical appliances such as electric irons and bread makers.

BUSINESS REVIEW

In FY2022, various adverse factors related to the COVID-19 pandemic, such as the tight supply and rising prices of raw materials, the rise of ocean freight charges and shortage of container supplies, continued to hamper the global economy, and thus led to the increase in the Group's costs and also affected the timeliness of the shipment to the customers. Coupled with the continuous rise of RMB foreign exchange rates, the Group's gross profit margin for FY2022 dropped to 25.4% (FY2021: 29.3%).

However, with the gradual recovery of global economic activities as a result of the increase in the global vaccination rate, the overall sentiment for consumption has revived. Among the Group's businesses of personal care electrical appliances, the sales of our hair styling products has recorded another growth, with revenue increased by 20.2% or HK\$70.1 million as compared to the preceding financial year.

On the other hand, the sales of our grooming products decreased by approximately HK\$13.9 million or 31.3% in FY2022 because these products were old models and hence their demand from a major customer were dropping.

Also, the sales of our beauty care products decreased by approximately HK\$20.0 million or 85.7% in FY2022. The decrease in purchase orders for beauty care devices was due to the fact that our major customer failed to understand the market situation and demand for its first rechargeable comprehensive beauty care device, resulting in the unsatisfactory sales and thus a decrease in orders. However, it has, instead, increased the purchase orders for the Group's hair styling products.

For FY2022 and FY2021, the Group's revenue by products categories, is as follows:

	Year ended 31 March 2022 HK\$'000	Year ended 31 March 2021 HK\$'000	Year-on-year changes (%)
Personal Care Electrical Appliances			
— hair styling series	416,192	346,114	+20.2
— grooming series	30,450	44,316	-31.3
— beauty care series	3,326	23,326	-85.7
Sub-total:	449,968	413,756	+8.8
Lifestyle Electrical Appliances	366	4,330	-91.5
Others	23,056	19,360	+19.1
Total:	473,390	437,446	+8.2

For FY2022 and FY2021, the Group's revenue by geographical location, is as follows:

	Year ended 31 March 2022 Sales proportion (%)	Year ended 31 March 2021 Sales proportion (%)
United States	49.4	47.0
Japan	38.9	38.9
Europe	6.7	9.6
Other locations	5.0	4.5
Total:	100.0	100.0

During the Reporting Period, the smart toilet under our own brand of “**ihh**” started the comprehensive testing on quality and technical functions. On the other hand, the Group sees strong demand for the series of beauty care products in Mainland China. As the Group has certain extent of experience and advantages in technology and quality control for this series, basic technical verification for another own brand of beauty care device has completed and design for its shape and structure is under way. It is expected that these two products will be formally launched in Mainland China by the second quarter of 2023 and the first quarter of 2023 respectively.

PROSPECTS

Looking forward to FY2023, the business environment is believed to remain complicated and challenging, but the Group is still cautiously optimistic. The Group will continue to focus on its core business while securing the orders for existing products for the steady growth of our business. Furthermore, the Group will actively prepare for the launch of the smart toilet and beauty care device under its own brand, and set up a marketing team in a timely manner to identify and cooperate with sales partners for their launch in Mainland China in the first half of 2023, aiming at bringing revenue growth opportunities to the Group’s business.

Regarding production, the Group will continue to improve the automation level of the production line, and thereby, production capacity could be enhanced and thus sales could be increased.

At the same time, the Group will relentlessly raise and improve our design, research and development capabilities for products by devoting more resources to enhance the research and development capabilities of our technical team, so that we could provide our customers with innovative products equipped with unique selling points. Not only can this further strengthen the Group’s long-term and stable relationship with our customers, but also our market position could be enhanced, followed by the expansion in our market share in the personal care and lifestyle electrical appliance businesses.

Last but not least, the Group will continue its efforts to control operating costs, improving our production efficiency and maintaining the flexibility of supply chain, so as to enhance market competitiveness and to maximise returns for our shareholders.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$36.0 million or 8.2% from approximately HK\$437.4 million for FY2021 to approximately HK\$473.4 million for FY2022. Such increase was mainly attributable to the increase in HK\$70.1 million sales of hair styling series of the personal care electrical appliances.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$7.8 million or 6.1% to approximately HK\$120.2 million for the FY2022 (FY2021: approximately HK\$128.0 million). The gross profit margin decreased by 3.9 percentage points to 25.4% for FY2022 (FY2021: 29.3%) which was mainly attributable to rise in raw material costs and the appreciation in RMB against USD.

Administrative expenses

The administrative expenses of the Group decreased by approximately HK\$4.2 million or 10.1% to approximately HK\$37.4 million for FY2022 (FY2021: HK\$41.6 million). Such decrease was mainly due to the absence of listing expenses during the Reporting Period while such expenses of approximately HK\$7.0 million were recorded for FY2021.

Finance costs

The Group's finance costs represented interest on bank borrowings. The Group recorded finance costs of approximately HK\$24,000 during the Reporting Period (FY2021: approximately HK\$74,000).

Income tax expenses

The Group's income tax expenses decreased by HK\$1.2 million or 8.7% to HK\$12.6 million for FY2022 (FY2021: HK\$13.8 million). The effective tax rate of the Group for FY2022 was approximately 17.4% (FY2021: 19.2%).

Net profit

Profit attributable to the equity holders of the Company increased by approximately HK\$1.6 million or 2.8% from approximately HK\$58.1 million for FY2021 to approximately HK\$59.7 million for FY2022. The Group's net profit margin decreased by 0.7 percentage point from 13.3% to 12.6% during the same period. The decrease was mainly due to the drop of the gross profit margin as mentioned in above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Funding and Treasury Policy

During the Reporting Period, the Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders of the Company, bank borrowings and net cash generated from its operations. The funds were primarily used for purchase of raw materials, various operating expenses and capital expenditure. The liquidity of the Group and its working capital and finance requirements was closely monitored by the Board on a regular basis.

Liquidity

As at 31 March 2022, the Group maintained cash and bank balances of approximately HK\$172.2 million (as at 31 March 2021: approximately HK\$166.0 million). The increase in cash and bank balances was mainly attributable to the increase in total revenue of approximately HK\$36.0 million for the year ended 31 March 2022.

Borrowings, Charge on Assets and Gearing Ratio

As at 31 March 2022, the borrowings of the Group amounted to approximately HK\$0.3 million (as at 31 March 2021: approximately HK\$2.1 million), which were denominated in Hong Kong dollar with a floating interest rate and effective rate per annum of approximately 1.9% as at 31 March 2022 (as at 31 March 2021: 1.8%). The total balance of bank borrowing as at 31 March 2022 were repayable on demand.

As at 31 March 2022, the Group had unutilised banking facilities of approximately HK\$34.5 million and are secured by (i) a legal charge over an industrial property of the Group held for its own use in Hong Kong with net book value amounted to approximately HK\$3.8 million as at 31 March 2022 (as at 31 March 2021: approximately HK\$3.9 million); (ii) a legal charge over an industrial property of the Group held for earning rental income in Hong Kong with net book value amounted to approximately HK\$655,000 as at 31 March 2022 (as at 31 March 2021: approximately HK\$690,000) ; (iii) a charge over a deposit by the Group placed with the bank amounted to approximately US\$642,000 as at 31 March 2022 (equivalent to approximately HK\$5.0 million) (same as at 31 March 2021); and (iv) corporate guarantee by the Company.

The Group are not committed to draw down the unutilised amount. The Group intended to utilise such facilities for its working capital purposes, including purchase of raw materials to support its business operation.

As at 31 March 2022, the gearing ratio of the Group was 0.1% (as at 31 March 2021: 0.6%). The gearing ratio is calculated by dividing the Group's interest-bearing borrowing by Group's total equity as at the end of the respective financial period and multiplied by 100%. Such decrease was mainly due to the decrease in interest-bearing bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency exchange risk. The value and convertibility of Renminbi are subject to changes in the PRC government's policies and depend on domestic and international economic and political developments, as well as the supply and demand forces of Renminbi in the local market. As the Group is not involved in any currency hedging activities, any fluctuation in the exchange rate or any shortage of foreign currency may have an adverse impact on operating costs and financial condition.

CAPITAL COMMITMENT

As at 31 March 2022, the Group had capital commitments contracted but not provided for property, plant and equipment amounted to approximately HK\$1.6 million (as at 31 March 2021: approximately HK\$0.2 million).

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any material contingent liabilities (as at 31 March 2021: nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

During the Reporting Period, the Group did not hold any significant investment nor did the Group carry out any material acquisitions and disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING

Saved as disclosed in the prospectus of the Company dated 31 August 2020 (the "Prospectus") and this announcement, the Group had no future plans for material investments or capital assets as at 31 March 2022. The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had a total of 778 employees (as at 31 March 2021: 781). The employees' remuneration depends on their particular duties and their performance. The Group's general workers are paid according to the Shenzhen minimum wage standard, and the basic salary of its management, engineering, and technical staff is generally determined with reference to the same industry standards and the staff may be entitled allowance and bonus based on their performance evaluation. The Group conducts employee performance review annually to evaluate and adjust its employees' remuneration. The Group enters into individual employment agreements with the employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. During the Reporting Period, the Group's total staff costs amounted to approximately HK\$96.4 million (as at 31 March 2021: HK\$81.5 million).

Also, training is provided to employees of the Group depending on their departments and the scope of their responsibilities. The human resources department would also arrange for employees to attend training, especially in regards to workplace health and safety.

EVENTS AFTER THE END OF THE REPORTING PERIOD


Up to the date of this announcement, there are no important events occurred after the Reporting Period that may affect the Group.

FINAL DIVIDEND

The Board recommended a final dividend of HK1.5 cents per share (FY2021: HK3.8 cents) to shareholders whose names appear on the register of members of the Company on 18 August 2022 (the “**Proposed Final Dividend**”). The Proposed Final Dividend is subject to the approval of the shareholders of the Company at the annual general meeting expected to be held on 9 August 2022. The Proposed Final Dividend is expected to be paid on or around 31 August 2022. As at the date of this announcement, the Board was not aware that any shareholder had waived or agreed to any arrangement to waive dividends.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering (as defined in the Prospectus) were approximately HK\$66.2 million. During the period from the date of Listing to FY2022, the net proceeds from the Global Offering had been applied as follows:

Business objective as stated in the Prospectus	Percentage of total net proceeds (Note 1)	Planned use of actual net proceeds (Note 2) HK\$ million	Amount of unutilised net proceeds as at 31 March 2021 HK\$ million	Actual use of net proceeds during the Reporting Period HK\$ million	Amount unutilised as at 31 March 2022 (Note 3) HK\$ million	Estimated timeline for the utilisation of the unutilised net proceeds (Note 4)
Expanding and upgrading the Company’s production facilities to enhance the Company’s production capabilities	54.5%	36.1	36.1	(10.9)	25.2	By June 2023 (Note 5)
Enhancing the Company’s research and engineering capabilities	24.8%	16.4	16.4	(0.3)	16.1	By March 2023
Introducing new products carrying the Company’s “  ” brand	12.9%	8.5	8.5	(1.3)	7.2	By June 2023 (Note 5)

Business objective as stated in the Prospectus	Percentage of total net proceeds (Note 1)	Planned use of actual net proceeds (Note 2) HK\$ million	Amount of unutilised net proceeds as at 31 March 2021 HK\$ million	Actual use of net proceeds during the Reporting Period HK\$ million	Amount unutilised as at 31 March 2022 (Note 3) HK\$ million	Estimated timeline for the utilisation of the unutilised net proceeds (Note 4)
Enhancing the Company's sales and marketing efforts in the global market including the PRC market	3.5%	2.3	2.3	-	2.3	By June 2023 (Note 5)
Upgrading the Company's information technology system and design-aided software	4.3%	2.9	2.9	-	2.9	By June 2023 (Note 5)
	100%	66.2	66.2	(12.5)	53.7	

Note:

1. The Company remains committed to the original allocation of the net proceeds from the Global Offering as disclosed in the Prospectus.
2. The net proceeds from the Global Offering, after deduction of the underwriting fees and expenses paid by the Company in connection with the Global Offering were approximately HK\$66.2 million. The Company has allocated the difference between the estimated and actual net proceeds to each business objective in the same proportion as the original funds applied as shown in the Prospectus.
3. As at 31 March 2022, net proceeds not yet utilised were deposited with certain licensed banks in Hong Kong.
4. The expected timeline for utilising the unutilised net proceeds for the business objectives is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions.
5. As affected by the persistent outbreak of the COVID-19 pandemic since the beginning of 2020, the Company's original plan and timeframe for the utilisation of net proceeds from the Global Offering have been generally delayed. Moreover Shenzhen, in which the production plant of the Group is located, saw rebound in new COVID-19 infections in the first half of 2022. This has brought difficulties to the Group in implementing the upgrade and expansion of production facilities and the information technology system and design-aided software. In particular, the expansion and upgrade of production facilities is expected to delay from June 2022 to June 2023, and the introduction of new products carrying the Company's "iH" brand and upgrading of information and technology system and design-aided aided software is expected to delay from September 2022 to June 2023, and the Company's Sales and Marketing efforts to promote our own brand products is expected to delay from December 2022 to June 2023. The Company was of the view that it would be beneficial to the Company to adopt a more prudent strategy towards business expansion, including expansion and upgrading of production capabilities and information technology system, enhancement of research and engineering capabilities as well as the development of OBM and own brand businesses together with relevant marketing efforts. It is considered that the originally planned timeline of the use of proceeds should be appropriately adjusted to maintain flexibility for better accommodation of the changing market conditions, industry environment and the actual condition of the Company.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to be notified to the Company and the Stock Exchange or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, were as follows:

Name of Director/ Chief Executive	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding interest
Mr. Li Shu Yeh (Note 2)	Interest in controlled corporation (Note 3)	468,750,000 Shares (L)	36.7%
Ms. Li Sen Julian	Beneficiary owner	3,812,500 Shares (L)	0.3%
Ms. Tang Suk Yee	Beneficiary owner	3,812,500 Shares (L)	0.3%

Notes:

1. The letter “L” denotes the person’s long position in the shares of the Company (the “Shares”).
2. As at 31 March 2022, Ace Champion Inc. (“Ace Champion”) is legally and beneficially owned by Mr. Li Shu Yeh as to 100% of its equity interest. Mr. Li Shu Yeh is deemed to be interested in the Shares in which Ace Champion is interested in pursuant to Part XV of the SFO.
3. Ace Champion, a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 36.7% of the issued share capital of the Company as at 31 March 2022.

Save as disclosed above and so far as the Directors are aware, as at 31 March 2022, none of the Directors or the chief executive of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2022, the following persons other than the directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company.

Name of person/corporation	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding interest
Ace Champion (Note 2)	Beneficial owner	468,750,000 Shares (L)	36.7%
Forever Golden (Note 3)	Beneficial owner	468,750,000 Shares (L)	36.7%
Ms. Sit Hor Wan (Note 4)	Interest in controlled corporation	468,750,000 Shares (L)	36.7%
Ms. Chan Pan Pan (Note 5)	Interest of spouse	468,750,000 Shares (L)	36.7%
Mr. Loo Kin Kuen Stephen (Note 6)	Interest of spouse	468,750,000 Shares (L)	36.7%

Notes:

- The letter “L” denotes the person’s long position in the Shares.
- Ace Champion, a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 36.7% of the issued share capital of the Company as at 31 March 2022.
- Forever Golden Inc. (“**Forever Golden**”), is a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 36.7% of the issued share capital of the Company.
- The entire issued share capital of Forever Golden is beneficially owned by Ms. Sit Hor Wan, who is deemed to be interested in all the Shares held by Forever Golden by virtue of Part XV of the SFO.
- Ms. Chan Pan Pan is the spouse of Mr. Li Shu Yeh. Therefore, Ms. Chan Pan Pan is deemed to be interested in the Shares in which Mr. Li Shu Yeh is interested under Part XV of the SFO.
- Mr. Loo Kin Kuen Stephen is the spouse of Ms. Sit Hor Wan. Therefore, Mr. Loo Kin Kuen Stephen is deemed to be interested in the Shares in which Ms. Sit Hor Wan is interested under Part XV of the SFO.

Save as disclosed above, the Company has not been notified of any other persons (other than the Directors or chief executive of the Company) who, as at 31 March 2022, had interest or a short position in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly interested in 5% or more of the shares of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2022, except as disclosed below.

Code provision A.2.1 (i.e., code provision C.2.1 since 1 January 2022) set out in the CG Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. SY Li, in addition to his duties as the chairman, is also responsible for the corporate strategic planning and overall business development of the Group as the chief executive officer of the Company. Mr. SY Li is one of the co-founders and he has extensive experience and knowledge in the business of the Group and his duties for overseeing the Group’s operations are considered to be beneficial to the Group. The Company considers having Mr. SY Li acting as both the chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies. Since the Directors would meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believe that this structure will enable the Company to make and implement decisions promptly and efficiently. As a result, the Company currently does not propose to separate the functions of chairman and chief executive officer. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

The Directors will review the corporate governance policies regularly to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period and up to the date of this announcement.

SHARE OPTION SCHEME

To provide incentives or rewards to the staff and the Directors for their contribution or potential contribution to the growth and development of the Group, the Company adopted a share option scheme (the “**Share Option Scheme**”) on 21 August 2020, which has become effective upon Listing on 15 September 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No option was granted by the Company under the Share Option Scheme since its adoption and up to 31 March 2022.

CHANGE IN INFORMATION OF DIRECTORS

There is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Except for the new issue of Award Shares, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the Reporting Period and as at the date of this announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company is currently expected to be held on Tuesday, 9 August 2022 (the “**AGM**”) and the notice of the AGM will be published and despatched in the manner as required by the Listing Rules and the articles of association of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 4 August 2022 to Tuesday, 9 August 2022 (both days inclusive), during such period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 pm on Wednesday, 3 August 2022.

The record date for the Proposed Final Dividend will be Thursday, 18 August 2022. The Company's register of members will be closed from Tuesday, 16 August 2022 to Thursday, 18 August 2022 (both days inclusive) in order to determine entitlements to the Proposed Final Dividend. During such period, no transfer of Shares will be effected. In order to qualify for the Proposed Final Dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (if the transfer will be lodged on 15 August 2022), for registration no later than 4:30 p.m. on Monday, 15 August 2022. Subject to the approval of shareholders of the Company at the AGM, dividend warrants will be despatched to shareholders on or around Wednesday, 31 August 2022.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 (i.e. code provision D.3 since 1 January 2022) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. As at 31 March 2022, the Audit Committee has three members, comprising three independent non-executive Directors, namely Mr. Liu Kai Yu Kenneth (Chairman of the Audit Committee), Mr. Leung Wai Chuen and Mr. Man Yun James. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results and the audited consolidated financial statements for the year ended 31 March 2022 of the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income, the consolidated balance sheet, and the related notes thereto for the year ended 31 March 2022 as set out in this results announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2022. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.fourace.com.

The annual report of the Company for the year ended 31 March 2022 containing the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Company's shareholders, investors, employees and business partners for their continuous support.

By order of the Board
Fourace Industries Group Holdings Limited
Li Shu Yeh
Chairman and Chief Executive Officer

Hong Kong, 28 June 2022

As at the date of this announcement, the executive Directors are Mr. Li Shu Yeh, Ms. Li Sen Julian and Ms. Tang Suk Yee; and the independent non-executive Directors are Mr. Liu Kai Yu Kenneth, Mr. Leung Wai Chuen and Mr. Man Yun James.